

Senator Olympia J. Snowe
Chair, Senate Committee on Small Business and Entrepreneurship
Hearing on the “The Nomination of Steven C. Preston As SBA
Administrator”
June 21, 2006

Opening Statement

Good morning and thank you all for being here today to consider the President’s Nomination for the Administrator of the Small Business Administration. Mr. Preston, I welcome you and your wife Molly to the Committee on Small Business and Entrepreneurship.

First, I would like to thank Senator Kerry for working with me on this nomination and hearing. We intend to work closely together as a Committee and with the SBA in the upcoming months as we move forward with the reauthorization process of SBA programs. And of course I am pleased to have my colleague, Senator Durbin, here to introduce Mr. Preston this morning.

In every Presidential Administration it can be remarkably difficult to attract the best and brightest to serve in important government jobs. We should not lose sight of the fact that Mr. Preston is making a sacrifice by leaving his business for the opportunity to lead the SBA. Let me tell you why I think the SBA is a vital component of any economic growth agenda and why it should be viewed as an honor to head such an agency.

The numbers really speak for themselves – small businesses represent 99.7 of all employer firms, employ half of all private-sector employees, and generate almost three-quarters of all net new jobs annually. For this reason,

our nation's entrepreneurs deserve a true champion....a megaphone for small businesses. The next Administrator, must marked a deep and unwavering commitment to the success of America's 25 million small businesses.

The next Administrator will be assuming enormous challenges the agency has faced especially in areas regarding the SBA's disaster response. The SBA response to Hurricanes Katrina and Rita was subpar, leaving some disaster victims waiting three months or more for loans to be processed. This Committee consistently demanded more effective relief in hiring additional employees to process loans and coordinating with local resource partners, however, the SBA waited 2 months before taking action, when it should have been the moment for the SBA to shine and showcase how it can help contribute to the rebuilding.

Now, while over 99 percent of all applications have been resolved and over \$10 billion in loans approved 10 months later, it alarms me that only 20.52 percent of the money has been disbursed. If disaster victims do not receive the vital disaster loan funding, the rebuilding of the Gulf Coast region cannot continue.

Looking ahead it is essential that the SBA collectively develop a comprehensive and flexible disaster plan, find a remedy for any and every problem that prevented or delayed the agency's front-line employees working in the disaster zones from aiding victims and be aggressive in responding to future disasters to assist America's small businesses and disaster victims.

It is essential that the next SBA Administrator is fully committed to supporting the agency's mission – "to assist, counsel, and protect the interests of small business". Given the clear importance of small businesses to

maintaining a strong and vibrant economy, strong leadership is clearly needed at the Small Business Administration to advocate for the innovators and risk takers of the nation.

While the challenges affecting the SBA are significant, we are confronted with new beginnings – a chance to improve the SBA and its programs and confirm a new administrator. We must take advantage of this opportunity to build a new vision through the rebirth of the SBA.

For example, since 1999, the SBA has helped create or retain over 5 million jobs. While this is a tremendous contribution to our economy, we must collectively ask how can we improve the SBA to assist more business, to create more jobs and eliminate the many roadblocks entrepreneurs face.

Yet, for Fiscal Year 2007, I am truly disappointed by the Administration's weak budget proposal of \$624 million. The SBA has continued a dangerous trend of reducing its budget by an astounding 37 percent since 1999. Moreover, it concerns me that the SBA failed to include the jobs the agency has helped to create and retain over the last year. Needless to say, the SBA is the government's "Biggest Bang for its Buck" and has a positive return on investment, a term Mr. Preston understands. This is especially true when you consider the SBA's return on investment verses the agency's budget is less than 3/100 of one percent of the total federal budget.

With the uncertainty in the economy, the problems facing small businesses are great and the SBA unquestionably must be at the forefront in providing the financial and business development tools for the success of entrepreneurs and small businesses across the United States.

In 2005, SBA programs disbursed record-breaking totals of loans to small businesses, both in the number of loans and total dollar value provided to small businesses. During the last fiscal year, the SBA guaranteed over \$24 billion in loans and venture capital for small businesses, the highest level of capital ever provided. SBA loan and investment programs have produced success story after success story, which include assisting the founders of Intel, Staples, America Online, Federal Express, Outback Steakhouse, Ben & Jerry's, Callaway Golf, as well as thousands of other successful businesses.

In April, I chaired a hearing that will lead to the reauthorization of the SBA's finance and entrepreneurial development programs. The next SBA Administrator will be an integral part of this process. I hope reauthorization will lead to a renewed SBA that is completely dedicated to fostering small business ownership in America and, if confirmed, I look forward to working closely with Mr. Preston in this effort.

The Administrator of the SBA has the ability to be not only a spokesperson but also an advocate for small businesses and small business issues.

In Maine and throughout the country, small business owners have repeatedly told me that the cost of health insurance is their number one concern. This crisis is real and an undue burden on entrepreneurs throughout America. It did not appear overnight and requires bold solutions. I have lead the fight for Small Business Health Plans and for tax incentives to provide employees of small firm with quality health insurance at affordable costs.

Mr. Preston, I know you understand our tax code is overly complicated, time-consuming and tedious for all Americans and most especially for our

nation's small businesses. Despite the fact that small businesses are the real job-creators for our nation's economy, the current tax system places an entirely unreasonable burden on them as they seek to satisfy their tax obligations. The Administrator of the SBA can weigh in on this issue to promote solutions that benefit small businesses.

Looking at the access to capital, I hope Mr. Preston will join me in rejecting any attempt to charge additional fees on small businesses in the 7(a), 504, and SBIC programs. The SBA has proposed a fee increase on small businesses to raise \$7 million in revenue, which will be used for the SBA's administrative costs. Increasing fees paid by small businesses is not the proper way for the administration to balance the budget. These small businesses are already paying fees and taxes to fund the Agency and it is unacceptable to make it more costly for them to access financing.

The SBA Administrator must also uncover, monitor and correct managerial mistakes, avoid lax implementation of laws, and prevent the waste, fraud, and abuse of taxpayer funds. If confirmed, this will require your urgent attention, Mr. Preston.

We've seen what can happen without vigilant and precise leadership, which was epitomized by the December 2005 SBA Inspector General report that found eligibility could still not be determined for 85 percent of the September 11th STAR loans reviewed. The SBA must do everything possible to prevent a similar bureaucratic fiasco.

Similarly, given recent discoveries of small businesses losing prime contracting opportunities to large businesses due to poor oversight of contracting laws, it is absolutely essential for the next SBA Administrator to

guarantee that 23 percent of Federal contracts go to small business, which is required by Federal law.

For an incoming SBA Administrator, these are only a few of the challenges and problems that must be managed successfully. From family farms to software development, small businesses form the backbone of our economy and provide much of the innovation that moves our country forward. Americans who assume the risk and responsibilities inherent in owning and operating a business deserve our praise and admiration. Congress and the SBA Administrator must ensure that the spirit of entrepreneurship remains strong in America, and we should always give small businesses the support they need to thrive.

I hope we can move forward quickly with Mr. Preston's nomination. I know the task of reading and digesting in-depth information about the SBA must have been a challenge, and I appreciate the energy and sincerity with which Mr. Preston has approached this nomination. Our ultimate goal is to ensure that the SBA will operate in the most effective, efficient, and economical manner possible.

I recognize Ranking Member Kerry for his opening statement.